

Town of Boswell, Oklahoma

**Financial Statements and Report
of Independent Accountants**

**As of and For the Year Ending
June 30, 2021**

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Independent Auditor's Report

To the Board of Trustees
Town of Boswell, Oklahoma

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying modified cash-basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Boswell, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective modified cash-basis financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Town of Boswell, as of June 30, 2021, and the respective changes in modified cash-basis financial position, and, where applicable, cash flows thereof for the year then ended in conformity with the basis of accounting described in Note 1.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Town of Boswell and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis of Accounting

We draw attention to Note 1 of the financial statements that describes the basis of accounting. The financial statements are prepared on the modified cash-basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America. Our opinions are not modified with the respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and

for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Boswell's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town of Boswell's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Town of Boswell's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Management has omitted the management's discussion and analysis and budgetary comparison information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated March 27, 2023, on our consideration of the Town of Boswell's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering Town of Boswell's internal control over financial reporting and compliance.

Russell + Williams CPAs, P.C.

Oklahoma City, Oklahoma
March 27, 2023

Town of Boswell
Statement of Net Position - Modified Cash Basis
As of June 30, 2021

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash in bank	\$ 250,842.52	\$ 221,465.11	\$ 472,307.63
Restricted Cash	-	90,476.69	90,476.69
Total Current Assets	<u>250,842.52</u>	<u>311,941.80</u>	<u>562,784.32</u>
Noncurrent Assets:			
Net Capital Assets	<u>260,903.45</u>	<u>1,718,797.49</u>	<u>1,979,700.94</u>
Net Property and Equipment	<u>260,903.45</u>	<u>1,718,797.49</u>	<u>1,979,700.94</u>
TOTAL ASSETS	<u><u>\$ 511,745.97</u></u>	<u><u>\$ 2,030,739.29</u></u>	<u><u>\$ 2,542,485.26</u></u>
LIABILITIES			
Current Liabilities:			
Meter Deposits	-	65,742.50	65,742.50
Current Portion of LTD	-	34,000.00	34,000.00
Total Current Liabilities	<u>-</u>	<u>99,742.50</u>	<u>99,742.50</u>
Noncurrent Liabilities:			
Notes Payable	-	550,000.00	550,000.00
Total Long-Term Liabilities	-	550,000.00	550,000.00
Total Liabilities	<u><u>\$ -</u></u>	<u><u>\$ 649,742.50</u></u>	<u><u>\$ 649,742.50</u></u>
NET POSITION			
Net Investment in Capital Assets	\$ 260,903.45	\$ 1,134,797.49	\$ 1,395,700.94
Restricted	-	90,476.69	90,476.69
Unrestricted	<u>250,842.52</u>	<u>155,722.61</u>	<u>406,565.13</u>
Total Net Position	<u>511,745.97</u>	<u>1,380,996.79</u>	<u>1,892,742.76</u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 511,745.97</u></u>	<u><u>\$ 2,030,739.29</u></u>	<u><u>\$ 2,542,485.26</u></u>

Town of Boswell
Statement of Activities - Modified Cash Basis
For the Year Ending June 30, 2021

Functions/Programs				Net (expense) revenue and Changes in net position		Total
	Expenses	Program Revenues		Primary Government		
		Charges for Services	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government						
Governmental Activities						
General Government	167,887.03	82,270.47	35,700.00	(49,916.56)	-	(49,916.56)
Police Department	154,961.36	76,729.22	-	(78,232.14)	-	(78,232.14)
Fire Department	23,126.09	3,590.00	4,826.29	(14,709.80)	-	(14,709.80)
Nutrition Center	57,267.48	-	48,890.51	(8,376.97)	-	(8,376.97)
Cemetary	3,575.62	-	-	(3,575.62)	-	(3,575.62)
Total Governmental Activities	<u>406,817.58</u>	<u>162,589.69</u>	<u>89,416.80</u>	<u>(154,811.09)</u>	<u>-</u>	<u>(154,811.09)</u>
Business-Type Activities						
Water & Sewer Department	444,748.53	283,709.91	255,470.77	-	94,432.15	94,432.15
Garbage Department	43,713.98	52,149.82	-	-	8,435.84	8,435.84
Economic Development	33,997.51	13,214.47	-	-	(20,783.04)	(20,783.04)
Total Business-Type Activities	<u>522,460.02</u>	<u>349,074.20</u>	<u>255,470.77</u>	<u>-</u>	<u>82,084.95</u>	<u>82,084.95</u>
Total Primary Government	<u>\$ 929,277.60</u>	<u>\$ 511,663.89</u>	<u>\$ -</u>	<u>\$ (154,811.09)</u>	<u>\$ 82,084.95</u>	<u>\$ (72,726.14)</u>
		General Revenues				
		Sales Taxes		264,326.65	-	264,326.65
		Other Taxes		92,416.21	-	92,416.21
		Transfers In/Out		(60,571.23)	60,571.23	-
		Interest Income		90.28	1,088.61	1,178.89
		Total General Government Revenue		<u>296,261.91</u>	<u>61,659.84</u>	<u>357,921.75</u>
		Change in Net Position		141,450.82	143,744.79	285,195.61
		Net Position Beginning		370,295.15	1,237,252.00	1,607,547.15
		Net Position Ending		<u>\$ 511,745.97</u>	<u>\$ 1,380,996.79</u>	<u>\$ 1,892,742.76</u>

The accompanying notes are an integral part of these financial statements

Town of Boswell
Balance Sheet - Modified Cash Basis
Governmental Funds
June 30, 2021

	General Fund	Nutrition Fund	Police Department Fund	Fire Operating Fund	Total Governmental Fund
ASSETS					
Cash in Bank - Unrestricted	\$ 228,858.40	\$ 7,493.75	\$ 9,090.99	\$ 5,399.38	\$ 250,842.52
Total Assets	<u>\$ 228,858.40</u>	<u>\$ 7,493.75</u>	<u>\$ 9,090.99</u>	<u>\$ 5,399.38</u>	<u>\$ 250,842.52</u>
LIABILITIES					
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -
Total Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES					
Unrestricted	228,858.40	7,493.75	9,090.99	5,399.38	250,842.52
TOTAL FUND BALANCES	<u>228,858.40</u>	<u>7,493.75</u>	<u>9,090.99</u>	<u>5,399.38</u>	<u>250,842.52</u>
TOTAL LIABILITIES					
AND FUND BALANCES	<u>\$ 228,858.40</u>	<u>\$ 7,493.75</u>	<u>\$ 9,090.99</u>	<u>\$ 5,399.38</u>	<u>\$ 250,842.52</u>

***Reconciliation of Total Governmental
Net Position of Governmental Activities***

Total Governmental Net Position	\$ 250,842.52
of net assets are different because:	
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds.	260,903.45
Long-term liabilities are not due and payable in the current period and therefore are not reported in funds:	<u>-</u>
Net position per the government wide financial statements	<u>\$ 511,745.97</u>

Town of Boswell
Statement of Revenues, Expenditures and Changes in Fund Balances - Modified Cash Basis
Governmental Funds
For the Year Ending June 30, 2021

	<u>General Fund</u>	<u>Nutrition Fund</u>	<u>Police Fund</u>	<u>Fire Dept. Fund</u>	<u>Total Fund</u>
Revenues					
Taxes	\$ 356,742.86	\$ -	\$ -	\$ -	\$ 356,742.86
Charges for Services	96.71	-	-	3,590.00	3,686.71
Fines	-	-	72,498.41	-	72,498.41
Interest	87.51	-	-	2.77	90.28
Grants	35,700.00	48,890.51	-	4,826.29	89,416.80
Other Revenues	82,173.76	-	4,230.81	-	86,404.57
Total Revenues	<u>474,800.84</u>	<u>48,890.51</u>	<u>76,729.22</u>	<u>8,419.06</u>	<u>608,839.63</u>
Expenditures					
Current Operations:					
General Government	145,757.16	-	-	-	145,757.16
Police Department	7,742.11	-	150,979.00	-	158,721.11
Fire Department	1,073.85	-	-	19,422.16	20,496.01
Cemetery	3,575.62	-	-	-	3,575.62
Nutrition	-	57,267.48	-	-	57,267.48
Capital Expenditures	91,538.50	-	-	-	91,538.50
Total Expenses	<u>249,687.24</u>	<u>57,267.48</u>	<u>150,979.00</u>	<u>19,422.16</u>	<u>477,355.88</u>
Excess Revenues over (under) expenditure	<u>225,113.60</u>	<u>(8,376.97)</u>	<u>(74,249.78)</u>	<u>(11,003.10)</u>	<u>131,483.75</u>
Other Financing Sources and Uses					
Transfers in/out	(167,890.20)	10,119.72	82,647.77	14,551.48	(60,571.23)
Total Other Financing Sources and Uses	(167,890.20)	10,119.72	82,647.77	14,551.48	(60,571.23)
Change in Fund Balance	57,223.40	1,742.75	8,397.99	3,548.38	70,912.52
Fund Balances at beginning of year	171,635.00	5,751.00	693.00	1,851.00	179,930.00
Fund Balances at ending of year	<u>\$ 228,858.40</u>	<u>\$ 7,493.75</u>	<u>\$ 9,090.99</u>	<u>\$ 5,399.38</u>	<u>\$ 250,842.52</u>

**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund
Balances of Governmental Funds to the Statement of Activities
for the Year Ending June 30, 2021**

Net Change in fund balances-total governmental funds	70,912.52
Monies expended for debt service that reduce debt on the government wide financial statements but recorded as an expense on the fund financial statements.	7,742.11
Proceeds from capital financing recorded as revenue in the fund financial statements but recorded as a liability in the government wide financial statements.	-
Depreciation charged to governmental wide financial statements not recorded in the fund financial statements	(28,742.31)
Capital expenditures records as reductions in net assets in the fund financial statements but capitalized as fixed assets in the governmental financial statements	<u>91,538.50</u>
Change in Net Position of governmental activities	<u>\$ 141,450.82</u>

Town of Boswell
Statement of Net Position - Modified Cash Basis
Proprietary Fund
June 30, 2021

	Public Works Authority	Industrial Park Authority	Totals
ASSETS			
Current Assets:			
Cash in Bank	\$ 203,466.88	17,998.23	\$ 221,465.11
Cash in Bank - Restricted	90,476.69	-	90,476.69
Total Current Assets	293,943.57	17,998.23	311,941.80
Noncurrent Assets			
Net Capital Assets	1,340,763.76	378,033.73	1,718,797.49
Total Noncurrent Assets	1,340,763.76	378,033.73	1,718,797.49
TOTAL ASSETS	<u><u>\$ 1,634,707.33</u></u>	<u><u>\$ 396,031.96</u></u>	<u><u>\$ 2,030,739.29</u></u>
LIABILITIES			
Current Liabilities:			
Meter Deposits	65,742.50	-	65,742.50
Current Portion of Long Term Debt	34,000.00	-	34,000.00
Total Current Liabilities	99,742.50	-	99,742.50
Noncurrent Liabilities			
Bonds and Notes	550,000.00	-	550,000.00
Total Noncurrent Liabilities	550,000.00	-	550,000.00
TOTAL LIABILITIES	<u><u>\$ 649,742.50</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 649,742.50</u></u>
NET POSITION			
Net Investment in Capital Assets	756,763.76	378,033.73	1,134,797.49
Unrestricted	228,201.07	17,998.23	246,199.30
TOTAL NET POSITION	<u><u>984,964.83</u></u>	<u><u>396,031.96</u></u>	<u><u>1,380,996.79</u></u>
TOTAL LIABILITIES AND NET POSITION	<u><u>\$ 1,634,707.33</u></u>	<u><u>\$ 396,031.96</u></u>	<u><u>\$ 2,030,739.29</u></u>

The accompanying notes are an integral part of these financial statements

Town of Boswell
Statement of Revenues, Expenditures, and Changes in Net Position - Modified Cash Basis
Proprietary Funds
For the Year Ending June 30, 2021

	Public Works Authority	Industrial Park Authority	Total
Operating Revenues:			
Water Sales	\$ 184,415.24	\$ -	\$ 184,415.24
Sewer Fees	99,294.67	-	99,294.67
Garbage Fees	52,149.82	-	52,149.82
Rental Income	-	13,200.75	13,200.75
Miscellaneous	-	13.72	13.72
Total Operating Revenues	<u>335,859.73</u>	<u>13,214.47</u>	<u>349,074.20</u>
Operating Expenses:			
Water & Sewer Department	444,748.53	-	444,748.53
Garbage Department	43,713.98	-	43,713.98
Industrial Park	-	33,997.51	33,997.51
Total Operating Expenses	<u>488,462.51</u>	<u>33,997.51</u>	<u>522,460.02</u>
Operating Income (Loss)	<u>\$ (152,602.78)</u>	<u>\$ (20,783.04)</u>	<u>\$ (173,385.82)</u>
Non-operating revenues (expenses)			
Capital Grant	255,470.77	-	255,470.77
Tranfers In/Out	60,571.23	-	60,571.23
Interest Income	1,088.61	-	1,088.61
Net non-operating revenues (expenses)	<u>317,130.61</u>	<u>-</u>	<u>317,130.61</u>
Changes in Net Position	<u>\$ 164,527.83</u>	<u>(20,783.04)</u>	<u>\$ 143,744.79</u>
Net Position, Beginning of Year	<u>820,437.00</u>	<u>416,815.00</u>	<u>1,237,252.00</u>
Net Position, End of Year	<u><u>\$ 984,964.83</u></u>	<u><u>\$ 396,031.96</u></u>	<u><u>\$ 1,380,996.79</u></u>

The accompanying notes are an integral part of these financial statements

Town of Boswell
Statement of Cash Flows - Modified Cash Basis
Proprietary Fund
For the Year Ending June 30, 2021

	Public Works Authority	Industrial Park Authority	Total
Cash flows from operating activities			
Receipts from customers	\$ 336,948.34	\$ 13,200.75	\$ 350,149.09
Miscellaneous Revenue	-	13.72	13.72
Grants	255,470.77	-	255,470.77
Payments to suppliers	(269,707.62)	(11,138.24)	(280,845.86)
Payments to employees	(93,093.56)	-	(93,093.56)
Net cash provided by operating activities	<u>229,617.93</u>	<u>2,076.23</u>	<u>231,694.16</u>
Cash flows from capital and related financing activities			
Meter Deposit Liability	12,490.50	-	12,490.50
Principal paid on long term debt	(33,000.00)	-	(33,000.00)
Net cash flows from capital and related financing activities	<u>(20,509.50)</u>	<u>-</u>	<u>(20,509.50)</u>
Cash flows from investing activities			
Adjustments to Retained Earnings	-	-	-
Fixed Asset Purchases during year	(169,698.39)	(10,500.00)	(180,198.39)
Net cash flows from investing activities	<u>(169,698.39)</u>	<u>(10,500.00)</u>	<u>(180,198.39)</u>
Net increase (decrease) in cash	39,410.04	(8,423.77)	30,986.27
Cash, Beginning of the Year	254,534.00	26,422.00	280,956.00
Cash, End of the Year	<u><u>\$ 293,944.04</u></u>	<u><u>\$ 17,998.23</u></u>	<u><u>\$ 311,942.27</u></u>
<i>Reconcilement of change in net position to net cash provided by operations:</i>			
Change in Net Position	164,527.83	(20,783.04)	143,744.79
Adjustments to reconcile change in net assets to net cash provided by operating activities:			
Depreciation	65,090.10	22,859.27	87,949.37
Net cash provided by operating activities	<u><u>\$ 229,617.93</u></u>	<u><u>\$ 2,076.23</u></u>	<u><u>\$ 231,694.16</u></u>

Town of Boswell, Oklahoma
Notes to the Basic Financial Statements
For the Year Ended June 30, 2021

Note 1. Summary of Significant Accounting Policies

As discussed further in Note 1.C, these financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) established by the Governmental Accounting Standards Board (GASB). These modified cash-basis financial statements generally meet the presentation and disclosure requirements applicable to GAAP, in substance, but are limited to the elements presented in the financial statements and the constraints of the measurement and recognition criteria of the modified cash basis of accounting.

1.A. FINANCIAL REPORTING ENTITY

The Town of Boswell, Oklahoma is a statutory Town Government under Oklahoma Statutes. The Town provides the following services: public safety, streets and highways, sanitation, public improvements, utilities and general administrative services.

The criteria used to determine which accounting entities, agencies, commissions, boards and authorities are part of the Town's operations include how the budget is adopted, whether debt is secured by general obligation of the Town, the Town's duty to cover any deficits that may occur, and supervision over the accounting functions. Any separate accounting entities would be considered component units. There are no agencies, organizations or activities meeting any of the above criteria that are excluded from the Town's reporting entity. As of June 30, 2021, the Town has two component units, the Boswell Public Works Authority and the Boswell Industrial Park Authority.

1.B. BASIS OF PRESENTATION

GOVERNMENT-WIDE FINANCIAL STATEMENTS

The Statement of Net Position and Statement of Activities display information about the reporting government as a whole within the limitations of the modified cash basis of accounting. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities.

Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed, in whole or part, by fees charged to external parties for goods or services.

FUND FINANCIAL STATEMENTS

Fund financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts that constitutes its assets, deferred outflows, liabilities, deferred inflows, net position or fund balance, revenues, and expenditures or expenses. The Town's funds are organized into two major categories: governmental and proprietary. The Town presently has no fiduciary funds. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the Town or meets the following criteria:

- a. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type.
- b. Total assets, deferred outflows, liabilities, deferred inflows, revenues, or expenditures or expenses of the individual governmental fund or enterprise fund are at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

The funds of the financial reporting entity are described subsequently:

Governmental Funds

General Fund

The General Fund is the primary operating fund of the Town and always classified as a major fund. It is used to account for all financial resources not accounted for and reported in another fund.

Special Revenue Funds

Special Revenue Funds are used to account for and report the proceeds of the specific revenue sources that are either restricted or committed to expenditures for specified purposes other than debt service or capital projects.

Proprietary Funds

Enterprise Fund

Enterprise funds are used to account for business-like activities provided to the general public. These activities are financed primarily by user charges, and the measurement of financial activity focuses on net income measurement similar to the private sector. The reporting entity includes the following enterprise fund that is reported as a major fund: Boswell PWA and Boswell Industrial Park Authority.

1.C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe what transactions or events are recorded within the various financial statements. Basis of accounting refers to when and how transactions or events are recorded, regardless of the measurement focus applied.

MEASUREMENT FOCUS

In the government-wide Statement of Net Position and Statement of Activities, both governmental and business-like activities are presented using the economic resources measurement focus, within the limitations of the modified cash basis of accounting, as subsequently defined in item (b).

In the fund financial statements, the current financial resources measurement focus or the economic resources measurement focus, as applied to the modified cash basis of accounting, is used as appropriate:

- a. All governmental funds utilize a current financial resources measurement focus within the limitations of the modified cash basis of accounting. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These

funds use fund balance as their measure of available spendable financial resources at the end of the period.

- b. The proprietary fund utilizes an economic resources measurement focus within the limitations of the modified cash basis of accounting. The accounting objectives of this measurement focus are the determination of operating income, changes in net position (or cost recovery), net financial position, and cash flows. All assets, deferred outflows, liabilities, and deferred inflows (whether current or noncurrent or financial or nonfinancial) associated with their activities are generally reported within the limitations of the modified cash basis of accounting.

BASIS OF ACCOUNTING

The financial statements are presented on a modified cash basis of accounting, which is a basis of accounting other than GAAP as established by GASB. This basis of accounting involves modifications to the cash basis of accounting to report in the statements of net position or balance sheets cash transactions or events that provide a benefit or result in an obligation that covers a period greater than the period in which the cash transaction or event occurred. Such reported balances include investments, interfund receivables and payables, capital assets and related depreciation, and short-term and long-term liabilities arising from cash transactions or events.

This modified cash basis of accounting differs from GAAP primarily because certain assets and their related revenues (such as accounts receivable and revenue for billed or provided services not yet collected and other accrued revenue and receivables) and certain liabilities and their related expenses or expenditures (such as accounts payable and expenses for goods or services received but not yet paid and other accrued expenses and liabilities) are not recorded in these financial statements. In addition, other economic assets, deferred outflows, liabilities, and deferred inflows that do not arise from a cash transaction or event are not reported, and the measurement of reported assets and liabilities does not involve adjustment to fair value.

If the Town utilized the basis of accounting recognized as generally accepted in the United States, the fund financial statements for governmental funds would use the modified accrual basis of accounting, and the fund financial statements for proprietary fund types would use the accrual basis of accounting. All government-wide financial statements would be presented on the accrual basis of accounting.

1.D. FINANCIAL POSITION

CASH AND CASH EQUIVALENTS

For the purpose of financial reporting, cash and cash equivalents includes all demand and savings accounts and certificates of deposit or short-term investments with an original maturity of three months or less. Trust account investments in open-ended mutual fund shares are also considered cash equivalents.

INVESTMENTS

Investments classified in the financial statements consist entirely of certificates of deposit acquired with cash whose original maturity term exceeds three months. Investments are carried at cost, which approximates fair value.

CAPITAL ASSETS

The Town's modified cash basis of accounting reports capital assets resulting from cash transactions or events and reports depreciation, when appropriate. The accounting treatment over property, plant, and equipment (capital assets) depends on whether the assets are used in governmental fund operations or proprietary fund and similar discretely presented component unit operations and whether they are reported in the government-wide or fund financial statements.

Government-Wide Statements

In the government-wide financial statements, capital assets arising from cash transactions or events are accounted for as assets in the Statement of Net Position. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable.

Depreciation of all exhaustible capital assets arising from cash transactions or events is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. A capitalization threshold of \$500 is used to report capital assets. The range of estimated useful lives by type of asset is as follows:

Buildings	40-50 years
Improvements other than buildings	10-25 years
Machinery, furniture, and equipment	3-20 years
Utility property and improvements	10-50 years
Infrastructure	25-50 years

Fund Financial Statements

In the fund financial statements, capital assets arising from cash transactions or events acquired for use in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets acquired for use in proprietary fund operations are accounted for the same as in the government-wide statements.

LONG-TERM DEBT

All long-term bonds, notes, and other debt arising from cash transactions or events to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements.

Long-term debt arising from cash transactions or events of governmental funds is not reported as liabilities in the fund financial statements. The debt proceeds are reported as other financing sources, and payment of principal and interest is reported as expenditures. The accounting for proprietary funds is the same in the fund financial statements as the treatment in the government-wide statements.

NET POSITION/FUND BALANCE CLASSIFICATIONS

Government-Wide Statements

Net Position is classified and displayed in three components:

1. *Net investment in capital assets.* Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvements of those assets and adjusted for any deferred inflows and outflows of resources attributable to capital assets and related debt.

2. *Restricted.* Consists of restricted assets reduced by liabilities and deferred inflows or resources related to those assets, with restriction constraints placed on the use either by external groups, such as creditors, grantors, contributors, or laws and regulations of other governments, or law through constitutional provisions or enabling legislation.
3. *Unrestricted.* Net amount of assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of net investment in capital assets or the restricted component of net position.

It is the Town's policy to first use restricted net resources prior to the use of unrestricted net resources when an expense is incurred for purposes for which both restricted and unrestricted net resources are available.

Fund Financial Statements

Governmental Funds

The difference among assets, deferred outflows, liabilities, and deferred inflows of governmental funds is reported as fund balance and classified as nonspendable, restricted, committed, assigned, and unassigned based on the respective level of constraint. These constraints are defined as follows:

Nonspendable. Amounts that cannot be spent because they either are not in spendable form or are legally or contractually required to be maintained intact.

Restricted. Amounts constrained regarding use from restrictions externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or by restrictions imposed by law through constitutional provisions or enabling legislation.

Committed. Amounts constrained regarding use for specific purposes pursuant to requirements imposed by formal action of the Town's highest level of decision-making authority. (In the case of the Town of Example, commitments are evidenced by adoption of an ordinance by the Town Council.)

Assigned. Amounts constrained by the Town's intent to be used for specific purposes but that are neither restricted nor committed. (In the case of the Town of Example, assignments are evidenced either by resolution of the Town Council or by the Town Manager in written form as approved by vote of the Town Council pursuant to Town policy.)

Unassigned. The residual classification of the General Fund for spendable amounts that have not been restricted, committed, or assigned to specific purposes.

It is the Town's policy to first use restricted fund balances prior to the use of unrestricted fund balances when an expenditure is incurred for purposes for which both restricted and unrestricted fund balances are available. It is also Town policy to use committed fund balances before assigned fund balances and assigned fund balances before unassigned amounts when an expenditure is incurred for purposes for which amounts in those classifications are available to be used.

The Town has no formal minimum fund balance policies or any formal stabilization arrangements in place.

Proprietary Funds

The difference among assets, deferred outflows, liabilities, and deferred inflows of proprietary funds is reported as net position and classified in the same manner as the government-wide financial statements, as previously described.

1.E. REVENUES, EXPENDITURES, AND EXPENSES

PROGRAM REVENUES

In the Statement of Activities, modified cash-basis revenues that are derived directly from each activity or from parties outside the Town's taxpayers are reported as program revenues. The Town has the following program revenues in each activity: General Government, Streets, and Public Works.

All other governmental revenues are reported as general revenues. All taxes are classified as general revenue even if restricted for a specific purpose.

OPERATING REVENUE AND EXPENSES

Operating revenues and expenses for proprietary funds and the similar discretely presented component unit result from providing services and producing and delivering goods or services. They also include all revenues and expenses not related to capital and related financing, noncapital financing, or investing activities.

GASB 34 IMPLEMENTATION

The Town has implemented the new financial reporting model, as required by the provisions of GASB Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, as of June 30, 2004.

1.G. USE OF ESTIMATES

The preparation of financial statements in conformity with the modified cash basis of accounting used by the Town requires management to make estimates and assumptions that affect certain reported amounts and disclosures (such as estimated useful lives in determining depreciation expense); accordingly, actual results could differ from those estimates.

NOTE 2. STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

By its nature as a local government unit, the Town and its component units are subject to various federal, state, and local laws and contractual regulations. The following instances of noncompliance are considered material to the financial statements.

NOTE 3. DEPOSITS WITH FINANCIAL INSTITUTIONS

The accounts of the Town are required by state law to be secured by collateral pledged by the financial institution and/or FDIC insurance. The Town of Boswell is considered a separate entity from the Boswell Public Works Authority for FDIC deposit insurance.

In accordance with GASB No. 3, deposits are to be classified into the following three categories:

1. Insured or collateralized with securities held by the entity or by its agent or in the entity's name (Referred to as category 1)

2. Collateralized with securities held by pledging financial institution's trust department or agent in the entity's name. (Referred to as category 2)

3. Uncollateralized, including any bank balance that is collateralized with securities held by the pledging institution, or by its trust department or agent but not in the entity's name. (Referred to as category 3)

All of the Town of Boswell's government and enterprise fund cash and investment accounts would be considered as category 1 up to its FDIC limits of \$250,000 for the governmental funds and \$250,000 for the Boswell Public Works Authority. The remaining funds would be category 3.

NOTE 4. CAPITAL ASSETS AND DEPRECIATION

Capital Asset activity for the year ended June 30, 2021 was as follows:

Governmental Funds

	Beginning Balance	Increases	Decreases	Ending Balance
Buildings & Improvements	\$ 419,450.05	-	-	\$ 419,450.05
Machinery & Equipment	280,991.83	91,538.50	-	372,530.33
Infrastructure	1,342,467.55	-	-	1,342,467.55
Total	2,042,909.43			2,134,447.93
Accumulated Depreciation	(1,845,004.00)	(28,742.31)	201.83	(1,873,544.48)
Net Assets	<u>\$ 197,905.43</u>			<u>\$ 260,903.45</u>

As of June 30, 2021, the governmental funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation of \$22,130 for the governmental funds, \$2,630 for the fire fund and \$3,982 for the police fund was recorded.

Proprietary Funds

	Beginning Balance	Increases	Decreases	Ending Balance
Water & Sewer System	\$ 2,040,236.35	169,698.39	-	\$ 2,209,934.74
Machinery & Equipment	221,224.04	-	10,500.09	231,724.13
Buildings & Improvements	703,158.47	-	-	703,158.47
Land	57,380.00	-	-	57,380.00
Total	3,021,998.86			3,202,197.34
Accumulated Depreciation	(1,395,450.48)	(87,949.37)	-	(1,483,399.85)
Net Assets	<u>\$ 1,626,548.38</u>			<u>\$ 1,718,797.49</u>

As of June 30, 2021, the proprietary funds had no capitalized assets that were not being depreciated or had not been depreciated. Depreciation is computed using the straight-line method of depreciation over the estimated useful lives of the assets. Assets are recorded at cost or their estimated fair market value for those assets where recorded were not available. Depreciation of \$87,949 for the proprietary funds was recorded. The water & sewer department was charged with \$65,090 and the industrial authority was charged with \$22,859.

NOTE 5. NOTES PAYABLE

Boswell Public Works Authority

As of June 30, 2021, the Boswell Public Works Authority had one note outstanding.

On December 27, 2019, the Boswell Public Works Authority issued utility system and sales tax revenue bonds, series 2019, in the amount of \$617,000, with semi-annual principal and interest payable on July 1 and December 1, beginning July 1, 2020. The interest rate is 3.00%. Bank of Oklahoma, NA, Oklahoma City, Oklahoma is the trustee bank and forwards the semi-annual payments on to First United Bank on behalf of the Town. The Boswell Public Works Authority makes monthly payments to a bond sinking fund at Bank of Oklahoma to pay bond interest and redemption as required.

	Principal	Interest		
2021/2022	\$ 34,000.00	\$ 17,265.00	Balance at Beginning of Year	\$ 617,000.00
2022/2023	35,000.00	16,245.00	Principal Paid During Year	<u>(33,000.00)</u>
2023/2024	36,000.00	15,180.00	Balance at End of Year	<u><u>\$ 584,000.00</u></u>
2024/2025	38,000.00	14,085.00		
2025/2026	38,000.00	12,945.00		
2027/2032	211,000.00	46,545.00		
2033/2035	192,000.00	13,185.00		
	<u>\$ 584,000.00</u>	<u>\$ 135,450.00</u>		

The water & sewer department was charged with \$18,476 of interest for the year.

NOTE 6. PENSION PLAN PARTICIPATION

The Town participates in the Oklahoma State Firefighters Pension and Retirement system which is a defined contribution plan applying only to the Town's volunteer firefighters. Vesting occurs after 10 years of service and payments at age 50, or after 20 years of service, whichever is later. Contributions are made by the town at the rate of \$60 per volunteer firefighters per year. The total contribution for 2020/2021 was \$720 and covered 12 volunteers.

NOTE 7. SUBSEQUENT EVENTS

Subsequent events have been evaluated through March 27, 2023, which is the date the financial statements were issued.

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Trustees
Town of Boswell

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the accompanying modified cash basis financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Town of Boswell, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Town of Boswell's basic financial statements, and have issued our report thereon dated March 27, 2023.

The report was a special report on the Town's use of a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Town of Boswell's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Town of Boswell's internal control. Accordingly, we do not express an opinion on the effectiveness of Town of Boswell's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We identified certain deficiencies in internal control described in the accompanying schedule of findings and questioned costs that we consider to be material weaknesses. 2021-1, 2021-2, 2021-3, 2021-4, 2021-5, 2021-6, 2021-7.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Town of Boswell's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying schedule of findings and questioned costs as items 2021-3, 2021-5, 2021-6.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Russell + Williams CPAs, P.C.

Oklahoma City, Oklahoma
March 27, 2023

Schedule of Findings and Responses

2021-1 Utility Billing Collections (Lack of Segregation of Duties)

CONDITION: The utility billings clerk collects the payments from customers and also maintains the customer ledgers. The billings clerk accepts cash payments. The billings clerk also posts the payments to the utility billing software. The daily collections and reports are reviewed by the Town Treasurer but the Town Clerk is also reconciling the bank statements.

CRITERIA: There should be more separation of duties for record keeping and utility billings collections.

CAUSE OF CONDITION: Limited Staff and inadequate internal controls.

EFFECT OF CONDITION: The Town is vulnerable to having utility billing receipts lost or stolen.

RECOMMENDATION: The Town should implement a policy of not accepting cash payments at Town hall. The Town could also implement more internal controls by having more separation of duties. This could be done by having the personnel write receipts for all payments made regardless of type and then recording these payments on the daily payment ledger. All payments, receipts, and a copy of the daily payment ledger should be given directly to the Treasurer at the end of the day. The Utility Billings clerk should then take the original daily payment ledger to record the payments in the system. Once all payments have been recorded in the system, the billings clerk should print off a payment listing from the system as well as a daily adjustment history to ensure that no unnecessary adjustments have been paid. These reports along with the original daily payment ledger should be given to the Treasurer who should then compare the total payments and receipts written to the daily payment ledger, daily payment listing from system, and daily adjustment history. Once the Treasurer has performed a comparison, they should then prepare a deposit slip to be taken to the bank. The Treasurer should then staple all documents as well as a carbon copy of the deposit slip together and give these documents back to the Utilities Billing Clerk. When the Treasurer returns from the bank, they should give the bank deposit receipt to the Billings Clerk who should then compare the receipt to the previous documents given to her by the Treasurer.

MANAGEMENT RESPONSE: The above referenced procedures are acceptable to the Town of Boswell and will be implemented.

2021-2 Financial Reporting (Repeat Finding)

CONDITION: The Town is not dedicating sufficient resources to properly maintain the financial accounting records of the Town's activities. During our audit we noted fund, inter-fund transfers, and expenses posted to incorrect general ledger accounts.

CRITERIA: It is the responsibility of the Town to properly report and account for the financial information.

CAUSE OF CONDITION: Inter-fund transfers are not being properly recorded. The Town Council and department heads are not being provided accurate financial statements.

EFFECT OF CONDITION: This compromises budget and actual comparison and the integrity of financial information for both internal and external purposes.

RECOMMENDATION: Proper resources should be devoted to maintaining the Town's financial accounting records. In addition, the department heads should review detailed information of the departmental activities on a monthly basis and provide input on necessary corrections.

MANAGEMENT RESPONSE: The Town is aware of the problem. However, the condition still exists.

2021-3 Improper Payment to Elected Officials.

CONDITION: The Town has established an ordinance that allows for all elected officials to be paid a monthly salary. Ordinance #303 outlines the rates at which the elected officials are to be paid in section 1. It appears that the Mayor and Vice Mayor positions are being paid more than what the ordinance allows.

CRITERIA: Local ordinance #303 amends Art. 6, Sect. 1-8 of the Boswell Code of Ordinances. Section 1 of this ordinance states that the salaries of Boswell elected officials, as provided by Art. 6, Section 1-8 of the Boswell Code of Ordinances is hereby established as follows:

1. Town Treasurer \$75.00
2. Town Clerk \$80.00
3. Trustees \$35.00

State Statute 11 O.S. §8-106 states, “A person may hold more than one office or position in a municipal government as the governing body may ordain. A member of the governing body shall not receive compensation for service in any municipal office or position other than his elected office.”

CAUSE OF CONDITION: During FY21 and FY22, the board voted to pay hazard pay to employees of the Town & PWA. Instead of paying just the employees, the Town & PWA paid its employees, the contracted bookkeeper, and the Mayor and Vice-Mayor COVID hazard pay. The payments to the Mayor and Vice Mayor are in direct conflict with the Town’s ordinances and state statute. The contract bookkeeper is not an employee of the Town or PWA but rather a contracted service.

EFFECT OF CONDITION: The Town is not in compliance with its ordinances because it is not adhering to the salary amounts as outlined by the codes. The purpose of the ordinance is to assure that trustees cannot misappropriate funds by paying themselves arbitrarily. Disregard or unawareness of such ordinances can result in inappropriate transactions.

RECOMMENDATION: The Mayor and Vice-Mayor and potentially the contract bookkeeper need to repay these monies back to the town. A payment plan should be worked out to insure that the Town & PWA are made whole from this error.

2021-4 Not All Activity Is Being Accounted For In The General Ledger (Repeat Finding)

CONDITION: The Town has several checking accounts whose activities are not being properly recorded in the accounting software and/or general ledger format.

CRITERIA: In order for the accounting records to be accurate all transactions and activity should be accounted for in a common and centralized accounting system.

CAUSE OF CONDITION: The Town has outsourced its accounting to a local bookkeeper. The bookkeeper is responsible for inputting all revenue and expense activity into the accounting system and has failed to do so.

EFFECT OF CONDITION: Incomplete and inaccurate accounting records allows for the possibility of embezzlement to occur and go undetected. It also makes it difficult to maintain the financial accounting records.

RECOMMENDATION: To revamp the accounting system so that only two Quickbooks companies exist. One for the Town and one for the PWA. Within the Town’s Quickbooks system, a class system should be implemented to allow for the separation of funds. This will not only allow for more precise financials but will also eliminate some of the time needed to maintain the accounting records. It would also be recommended that the Clerk/Treasurer be involved in the day to day activities of entering in data

MANAGEMENT RESPONSE: The Town is aware of the problem and the new clerk will work with the bookkeeper to develop a better process and implement the recommendations.

2021-5 Budget Deadlines

CONDITION: During our review of the budget procedures, the town failed to prepare the required budgets within the required deadlines mandated by state statute.

CRITERIA: State statute requires budgets be submitted for all funds to the governing body before the start of the budget year.

CAUSE OF CONDITION: The town has not adopted formal budget procedures in regards to the preparation of their annual budget.

EFFECT OF CONDITION: The Town was not in compliance with state statute regarding budgets.

RECOMMENDATION: The Town should review and adopt budget requirements required by state statute.

MANAGEMENT RESPONSE: We understand the need for preparing budget forms before the start of the fiscal year and will strive to prepare budgets according to the required deadlines.

2021-6 Deposits Not Made Daily

CONDITION: During our review of the bank deposits, it was discovered that bank deposits are not being made daily as required by state statute.

CRITERIA: 11 O.S. 12-110 and 62 O.S. Sec. 517.3 requires that the treasurer of every public entity shall deposit daily, not later than the immediately next banking day, all funds and monies of whatsoever kind that shall come into the possession of the treasurer by virtue of the office, in one or more financial institutions that have been designated as either state or county depositories, or both, and the acceptance of any such deposit from any such treasurer shall be tantamount to adoption, in relation thereto, of the same privileges and conditions, other than collateral security, as are now provided by law in acceptance of designation as state or county depositories.

CAUSE OF CONDITION: The Treasurer has not been making deposits daily.

EFFECT OF CONDITION: The Town is not in compliance with state statute.

RECOMMENDATION: The Board should implement a policy that if the Treasurer cannot make the deposits daily then another Town official will make sure that the deposits are taken to the bank in the required time period.

MANAGEMENT RESPONSE: The Town is aware of the problem. The new clerk and staff are currently making deposits daily to rectify this finding.

2021-7 – Not Able To Locate Court Records

CONDITION: During our audit we were unable to locate court records in regards to tickets written and payment received.

CRITERIA: It is the responsibility of the Town to properly report and maintain all documentation including court records.

CAUSE OF CONDITION: Change in personnel and improper training.

EFFECT OF CONDITION: Proper auditing procedures could not be performed without testing court citations. The Town is not only in violation of state statute but without proper documentation they have subjected themselves to the various legal issues.

RECOMMENDATION: It is recommended that the Board implement proper policy and procedures to ensure that all documentation is properly maintained for the required time period.

MANAGEMENT RESPONSE: The Town is aware of the problem. The Town is currently not issuing citations until ordinances are brought up to date and staff has been properly trained.